ENTERED
03/29/2017

IN THE UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF TEXAS
CORPUS CHRISTI DIVISION

In re:	§	
	§	CASE NO. 17-20023
FORBES ENERGY SERVICES LTD., et al.,[1]	§	CHAPTER 11
	§	
Debtors.	§	DAVID R. JONES

FINAL ORDER (1) AUTHORIZING THE USE OF CASH COLLATERAL, (2) GRANTING ADEQUATE PROTECTION, (3) MODIFYING THE AUTOMATIC STAY, AND (4) GRANTING RELATED RELIEF

(Docket Nos. 12, 55)

This matter came before the Court for final hearing on March 29, 2017 (the "**Hearing**"), on the *Emergency Motion of Debtors for Entry of Interim and Final Orders (1) Authorizing the Use of Cash Collateral, (2) Granting Adequate Protection, (3) Modifying the Automatic Stay, and (4) Granting Related Relief* [Docket No. 12] (the "**Cash Collateral Motion**") filed on January 22, 2017, by the Debtors, requesting authority to use Cash Collateral (as defined below) pursuant to section 363 of Title 11 of the United States Code, 11 U.S.C. § 101 *et seq.* (the "**Bankruptcy Code**") and Rules 4001(b) and (d) of the Federal Rules of Bankruptcy Procedure (the "**Bankruptcy Rules**"), and to provide adequate protection to Regions Bank ("**Regions**"), in its capacity as agent (in such capacity, together with its successors in such capacity, "**Agent**") for itself and certain other financial institutions (collectively, with their respective successors and assigns, "**Secured Parties**"), under that certain *Loan and Security Agreement* dated September 9, 2011, among the Debtors, Agent, the lenders party thereto from

[1] The Debtors, together with the last four digits of each Debtor's tax identification number, are: Forbes Energy Services Ltd. (1100); Forbes Energy Services LLC (6176); C.C. Forbes, LLC (5695); TX Energy Services, LLC (5843); and Forbes Energy International, LLC (6617). The location of the Debtors' headquarters and service address is 3000 South Business Highway 281, Alice, TX 78332.

time to time and certain other Secured Parties (as at any time amended or modified, and together with all exhibits, schedules and joinders thereto, the "**Loan Agreement**"). For the avoidance of doubt, Secured Parties shall include all "Secured Parties" (as such term is defined in the Loan Agreement), including Regions in its capacity as a Bank Product Provider and as an Issuer (as such terms are defined in the Loan Agreement). The Court previously entered an interim order on the Cash Collateral Motion on January 25, 2017 [Docket No. 55].

Based upon the Court's consideration of the Cash Collateral Motion and all matters brought to the Court's attention at the Hearing, and after due deliberation and consideration, the Court makes the following findings of fact and conclusions of law applicable to the Debtors' use of Cash Collateral (to the extent any findings of fact constitute conclusions of law, they are adopted as such, and *vice versa*):

A. **Petition Date**. On January 22, 2017 (the "**Petition Date**"), each Debtor filed with the Court a voluntary petition for relief under chapter 11 of the Bankruptcy Code, thereby commencing with respect to such Debtor a chapter 11 case (each, a "**Case**," and collectively, the "**Cases**"). Each Debtor is continuing to manage its properties and to operate its business as debtor-in-possession pursuant to sections 1107 and 1108 of the Bankruptcy Code. No trustee or examiner has been appointed. The Cases have been consolidated for procedural purposes only and are being jointly administered.

B. **Pre-Petition Debt and Liens.** Subject to Paragraph 7 of this Order, each Debtor agrees and stipulates as follows:

(i) Loan Documents. Pursuant to the Loan Agreement, the applicable Secured Parties established a revolving credit and letter of credit facility in favor of the Debtors. The Loan Agreement, together with each agreement, note, instrument, guaranty, mortgage, fixture filing, deed of trust, financing statement, pledge, assignment, and other document executed at any time in connection therewith, in each case as the same has been amended or modified from time to time, are hereinafter collectively referred to as the "**Loan Documents.**"

(ii) Collateral. Pursuant to the Loan Documents, each Debtor granted to Agent security interests in and liens upon (the "**Pre-Petition Liens**") all of each Debtor's (a) accounts, payment intangibles, instruments and other rights to receive payments of any Debtor (including without limitation the accounts), whether now existing or hereafter arising or acquired, (b) related general intangibles (including without limitation, contract rights and intellectual property), chattel paper, documents, supporting obligations, letter-of-credit rights, commercial tort claims set forth on Schedule 5.8(b) to the Loan Agreement, remedies, guarantees and collateral evidencing, securing or otherwise relating to or associated with the property in subpart (a) above, including without limitation all rights of enforcement and collection, (c) commercial lockboxes, government lockboxes and collection accounts, (d) funds received thereby or deposited therein, and any checks or instruments from time to time representing or evidencing the same, (e) deposit accounts, (f) documents, (g) equipment and furniture, (h) fixtures, (i) general intangibles, (j) instruments, (k) inventory, (l) investment property, (m) goods, (n) pledged equity interests, (o) books and records of Debtors evidencing or relating to or associated with any of the foregoing, (p) information and data compiled or derived by any

Debtor with respect to any of the foregoing (other than any such information and data subject to legal restrictions of patient confidentiality), (q) all collections, accessions, receipts and all proceeds of any and all of the foregoing and (r) the Pledged Cash Collateral (as defined below) (all of the foregoing types and items of personal property described in clauses (a) through (r) above, except for the Excluded Assets (as defined in the Loan Agreement), being collectively referred to as the "**Pre-Petition Collateral**"). In addition to, and without limiting, the foregoing, pursuant to, among things, a second amended and restated cash collateral letter agreement dated December 23, 2016, by and among Debtors, Agent and Regions in its capacity as depository bank (as at any time amended or modified, the "**Cash Collateral Agreement**"), Debtors granted to Agent security interests in and liens upon all of the following (collectively, the "**Pledged Cash Collateral**"): (I) the deposit account of Forbes Energy Services LLC, one of the Debtors, bearing an account number ending in 6789 maintained with Regions (the "**Pledged Cash Collateral Account**"), (II) all deposits or other remittances at any time made to and balances in the Pledged Cash Collateral Account at any time, together with all cash, deposits, credits, money orders, checks, drafts, wire transfer funds and sums from time to time credited to or deposited or held in the Pledged Cash Collateral Account, (III) any and all investments made at any time of any balances in the Pledged Cash Collateral Account, whether made in other deposit accounts, time deposits or otherwise, and (IV) any and all proceeds of any of the foregoing, in each case whether now or hereafter existing or arising, including any distributions from the foregoing and all interest earned in connection with the Pledged Cash Collateral Account. The Debtors further stipulate that the Pre-Petition Liens are properly perfected, unavoidable liens and security interests. As of the Petition Date, the balance in the Pledged Cash Collateral Account is $27,562,702.56.

(iii) Pre-Petition Debt. As of the Petition Date, the Debtors were jointly and severally indebted and liable under the Loan Documents to the Secured Parties for (a) outstanding revolver loans in the principal amount of $15,000,000, (b) certain Bank Product Obligations (as such term is defined in the Loan Agreement), including in connection with a purchasing card arrangement extended by Regions to one or more Debtors, (c) reimbursement obligations in respect of letters of credit issued by Regions in its capacity as "Issuer" under the Loan Agreement with respect to letters of credit (which letters of credit were, as of December 5, 2016, issued in an aggregate face amount of $9,012,097.68), together with certain fees, expenses and other obligations due in connection therewith pursuant to the Loan Documents, and (d) fees, expenses, and other costs, reasonable attorneys' fees and charges, and all other Obligations (as defined in the Loan Agreement) for which the Debtors are liable under the Loan Agreement (all of the foregoing, together with all other Obligations at any time outstanding, being collectively referred to as the "**Pre-Petition Debt**"). Each Debtor acknowledges and stipulates that the Pre-Petition Debt is due and owing to the Secured Parties; the Pre-Petition Debt constitutes the legal, valid and binding obligation of each Debtor, enforceable in accordance with its terms; and none of the Pre-Petition Debt or any payments made to any Secured Party or applied to the Pre-Petition Debt on or before the Petition Date is subject to avoidance, subordination, recharacterization, recovery, attack, offset, recoupment, counterclaim, or defense of any kind pursuant to the Bankruptcy Code or applicable non-bankruptcy law.

(iv) Cash Collateral. Agent, for itself and on behalf of the other Secured Parties, is entitled to adequate protection within the meaning of, and pursuant to, sections 361 and 363 of the Bankruptcy Code as a condition to any Debtor's use, sale, or other disposition of any Pre-Petition Collateral or any Replacement Collateral (as defined below) or the cash proceeds of either (such proceeds being collectively called "**Cash Collateral**"), regardless of whether such cash proceeds were in existence on the Petition Date or were created, acquired, or arose thereafter. Subject to the entry of this Order, Agent consents to the Debtors' use of Cash Collateral on the terms and conditions set forth in this Order.

(v) Value. The Debtors acknowledge and stipulate that, as of the Petition Date, the value of the collateral (whether valued using orderly liquidation or going concern methodologies) granted in favor of Agent pursuant to the Loan Documents, including Cash Collateral, exceeds the aggregate outstanding amount of principal, interest, fees, and other charges (including letters of credit and contingent obligations) comprising the Pre-Petition Debt.

C. Need for Use of Cash Collateral. The Debtors assert that they require the use of Cash Collateral to continue operating their businesses, including to make payroll and to pay vendors and suppliers and other ordinary working capital expenses. The Debtors have represented that serious and potentially irreparable harm to the Debtors, their creditors, and their respective estates may occur absent authorization for the use of the Cash Collateral.

D. Service of Motion. The Debtors have certified that copies of the Motion and notice of the Hearing have been served by electronic mail, telecopy transmission, hand delivery, overnight courier or first class United States mail upon the Office of the United States

Trustee (the "**United States Trustee**"), counsel for Agent, and the Debtors' thirty (30) largest unsecured creditors. The Court finds that notice of the Motion, as it relates to this Order, is sufficient for all purposes under the Bankruptcy Code and the Bankruptcy Rules, including, without limitation, sections 102(1) and 363 of the Bankruptcy Code and Bankruptcy Rule 4001(b) and (d).

E. **Finding Cause**. Good cause has been shown for the entry of this Order, the granting of adequate protection as set forth herein and authorization for the Debtors to use Cash Collateral. The Debtors' need for use of Cash Collateral is ongoing, immediate and critical. Entry of this Order will preserve the assets of the Debtors' estates and their value and is in the best interests of the Debtors, their creditors and the Debtors' estates.

F. **Jurisdiction; Core Proceeding; Venue**. This Court has jurisdiction to enter this Order pursuant to 28 U.S.C. § 1334. Consideration of the Motion constitutes a core proceeding as defined in 28 U.S.C. § 157(b)(2). Venue for this chapter 11 case and proceedings on the Motion is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409.

G. **Adequate Protection.** Agent, for itself and on behalf of the other Secured Parties, has requested and is entitled to adequate protection of its interests in the Pre-Petition Collateral under 11 U.S.C. §§ 361 and 363, as a condition to use of any Cash Collateral.

NOW, THEREFORE, IT IS HEREBY ORDERED, ADJUDGED AND DECREED, as follows:

1. **Grant of Motion; Authority to Use Cash Collateral.**

(a) Subject to all of the terms, conditions and limitations of this Order, the Debtors shall be authorized to use Cash Collateral consisting of cash proceeds of Collateral (but excluding any Pledged Cash Collateral) for Permitted Purposes (as defined below) during the period commencing on the Petition Date and ending on the last date of the Budget (as defined below), unless and to the extent extended by written agreement of the Debtors and Agent. Neither Agent's consent to use of Cash Collateral nor any Debtor's use of Cash Collateral shall release, limit, impair or provide any defense to enforcement of any non-Debtor's guaranty of payment or performance of any of the Pre-Petition Debt, and all such guaranties shall remain in full force and effect and enforceable according to their terms.

(b) The term "**Permitted Purposes**" shall mean, with respect to any Debtor, such Debtor's use of Cash Collateral owned by it in the ordinary course of such Debtor's business solely for the purposes of supporting such Debtor's ongoing working capital needs and in order to satisfy administrative expenses incurred as part of the administration of the Cases, in each case to the extent, and only for the specific purposes, and up to the amounts set forth in the budget attached hereto as **Exhibit A** (as such budget may be amended or extended with the written approval of Agent, the "**Budget**"); provided, however, that (A) the Debtors may use Cash Collateral for disbursements totaling up to 115% of the aggregate amount shown in the Budget tested on a cumulative basis during the term of the Budget without violating the terms of this Order; (B) in no event shall any Cash Collateral be used to pay (i) any pre-petition claim against the Debtors other than amounts specifically approved by the Court after notice and hearing, including payroll, payroll related taxes, employee benefits and "trust fund" sales and use taxes to the extent of applicable line items in the Budget, and adequate protection payments to Agent as authorized by the Court, or (ii) any professional fees or expenses of any professionals retained by any Debtor, any official committee of unsecured creditors appointed in the Cases (the "**Committee**") or any other fiduciary appointed in the Cases to the extent such fees or expenses are incurred in (x) objecting to or challenging the validity, extent or priority of any of the Pre-Petition Liens, the amount or the validity or allowance of any of the Pre-Petition Debt, or the validity or enforceability of any of the Loan Documents, (y) challenging or appealing any aspect of this Order, or (z) asserting any claim against any Secured Party, including any claim under chapter 5 of the Bankruptcy Code; and (C) in no event shall any Pledged Cash Collateral (which shall continue to be controlled by Agent pursuant to the Cash Collateral Agreement) be used by Debtors, except pursuant to the terms of the Cash Collateral Agreement.

2. **Collection of Accounts Receivable**. The Debtors shall diligently attempt to collect all of their pre-petition and post-petition accounts receivable and all other rights to the payment of money and shall cause all such collections remitted by its customers and other account obligors to be promptly deposited into the Debtors' collection accounts. Nothing in this Order shall be construed to require any Secured Party to extend credit or make available to the Debtors any funds received by any Secured Party that are not good, collected funds at such time. Regions shall be authorized to deduct from Cash Collateral amounts sufficient to pay and to be used to pay reasonable and customary fees and expenses associated with the wiring or other transfer of such funds. Until expended by the Debtors, all Cash Collateral shall remain subject to the liens and claims of Agent under the Loan Documents and this Order.

3. Suspension and Termination of Authority to Use Cash Collateral.

(a) Suspension. The Debtors' authority to use Cash Collateral shall be suspended (and the Debtors shall therefore not be authorized to use such Cash Collateral for any purpose other than paying the Pre-Petition Debt) for so long as any one or more of the following conditions exists: (i) any Debtor has failed to discharge any duty or other obligation imposed upon it in this Order or has otherwise violated any requirement or condition to the use of Cash Collateral provided in this Order and such failure has not been cured or otherwise remedied; (ii) there is pending any motion by any Debtor to dismiss or convert any of the Cases to a case under chapter 7; (iii) that certain Restructuring Support Agreement with certain noteholders dated December 21, 2016 (as amended or modified on reasonable prior written notice to Agent, the "**RSA**") is terminated with respect to any party thereto; or (iv) any Debtor has failed to discharge any duty or other obligation imposed upon it in the Cash Collateral Agreement.

(b) Disputes. On any date that Agent determines that the Debtors' authority to use Cash Collateral has been suspended pursuant to subparagraph (a) above, Agent or its counsel may file (using the Court's CM/ECF filing system) a "Notice of Suspension," in which the condition or conditions resulting in the suspension of authority to use Cash Collateral shall be specified, and the Debtors shall not be authorized to issue any checks, make any ACH transfers or otherwise withdraw funds drawn on any depository account that contains any Cash Collateral, but shall forthwith transfer funds in such accounts to Agent or to an account under the control of

Agent; provided, however, that if the Debtors in good faith dispute that their authority to use Cash Collateral has been properly suspended, the Debtors may file within three (3) business days after the filing of a Notice of Suspension a notice of such dispute in which they must set forth the basis for such dispute, any such dispute shall be resolved by the Court, and the Debtors shall be authorized to continue to use Cash Collateral (but not any Pledged Cash Collateral) until the Court resolves the dispute; provided, further, that if Debtors do not file a notice of dispute within such period of three (3) business days after the filing of a Notice of Suspension, Agent shall be automatically permitted (and the automatic stay shall be deemed automatically, and without further order of the Court, lifted and terminated to the extent necessary to allow Agent) to setoff against any cash maintained at bank accounts with Regions and apply the proceeds thereof to the Pre-Petition Debt.

(c) Termination. The Debtors' authority to use Cash Collateral shall automatically terminate for all purposes (except to pay the Pre-Petition Debt) upon the soonest to occur of the following events or conditions: (i) the last date of the Budget occurs unless and to the extent extended by written agreement of the Debtors and Agent; (ii) a chapter 11 trustee or examiner with expanded powers is appointed in any Case; (iii) any Case is converted to a chapter 7 case or is dismissed; (iv) the Court enters an order granting Agent relief from the automatic stay or prohibiting the use of Cash Collateral by the Debtors; (v) the RSA terminates with respect to any party thereto; (vi) any Debtor has failed to discharge any duty or other obligation imposed upon it in the Cash Collateral Agreement; or (vii) this Order is amended, vacated, stayed, reversed or otherwise modified without the prior written consent of Agent.

4. **Adequate Protection Granted to Agent**.

(a) Adequate Protection Liens. As adequate protection for any diminution in the value of Agent's interests in the Pre-Petition Collateral, including, without limitation, any diminution resulting from the use of Cash Collateral on or after the Petition Date, Agent is hereby granted, pursuant to sections 361, 362 and 363 of the Bankruptcy Code, valid, binding, enforceable and automatically perfected liens on and security interests in (collectively, the "**Adequate Protection Liens**") all personal property of each Debtor that is the same type or nature as the Pre-Petition Collateral whether acquired, created, or existing prior to, on or after the Petition Date, and all cash and non-cash proceeds of the foregoing (all such personal property being collectively referred to as the "**Replacement Collateral**"; and together with the Pre-Petition Collateral, the "**Collateral**"). For the avoidance of doubt, the Adequate Protection Liens include the Agent's security interest in and liens upon the Pledged Cash Collateral in the Pledged Cash Collateral Account. Notwithstanding the foregoing, the Replacement Collateral shall not include any claims or causes of action of the Debtors under 11 U.S.C. §§ 544, 547, 548 or 550 ("**Avoidance Actions**") or any proceeds of any of such claims or causes of action ("**Avoidance Proceeds**"), unless any Debtor shall grant a lien upon Avoidance Actions or Avoidance Proceeds to any other person or entity, in which event Agent shall be deemed to have been granted such a lien under this Order on a *pari passu* basis with such other lien.

(b) Priority of Adequate Protection Liens. The Adequate Protection Liens shall be junior in priority only to (i) the Pre-Petition Liens and (ii) any other valid, enforceable, perfected and nonavoidable liens and security interests on assets of a Debtor that existed on the

Petition Date and are superior in priority to the Pre-Petition Liens as of the Petition Date, after giving effect to any subordination or intercreditor arrangement.

(c) Perfection of Adequate Protection Liens. The Adequate Protection Liens and all claims, rights, interests, administrative claims and other protections granted to or for the benefit of Agent pursuant to this Order and the Bankruptcy Code shall constitute valid, enforceable, non-avoidable and duly perfected security interests and liens. No Secured Party shall be required to file or serve financing statements, mortgages, deeds to secure debt or similar instruments which otherwise may be required under federal or state law in any jurisdiction, or take any action, including taking possession, to validate and perfect such security interests and liens, but upon request by Agent, the Debtors are hereby authorized to execute and deliver any such financing statements, mortgages, deeds to secure debt or similar instruments. The failure by Agent to request, or the failure or refusal of any Debtor to execute or deliver, any documentation relating to the Adequate Protection Liens shall in no way affect the validity, perfection or priority of such Adequate Protection Liens.

(d) Interest and Fees; Professional Fees. By no later than the first calendar day of each calendar month, the Debtors shall pay to Agent, in cash, interest and fees that have accrued in respect of the Pre-Petition Debt at the rates specified in the Loan Agreement and the other Loan Documents (which, as of July 18, 2016, have been accruing and have been paid, and shall continue to accrue, at the default rates applicable thereto). As additional adequate protection, the Debtors shall pay to Agent, in cash, the reasonable and documented out-of-pocket expenses incurred by Agent, whether arising prior to, on, or after the Petition Date, and payable or reimbursable to it under any of the Loan Documents, including, but not limited to, fees and disbursements of counsel (including local bankruptcy counsel). The Debtors shall make each such payment to Agent, without the necessity of Agent's filing formal fee applications, no later than five (5) business days following the conclusion of a Review Period (defined below). Agent may send by electronic mail each month to counsel for the Debtors, counsel for any Committee, and the United States Trustee, a copy of invoices for such fees and expenses (the "**Invoiced Fees**") (subject in all respects to redaction for, and without waiving, any applicable privilege or work product doctrine), and each such noticed party shall have five (5) business days from the date of its receipt of such copy from Agent (the "**Review Period**") to serve on counsel for Agent a written objection to the payment of any of such fees and expenses. Within five (5) business days after expiration of the Review Period, the Debtors shall pay any portion of such Invoiced Fees as to which a timely objection is not made and the Court shall decide any timely objection unless otherwise resolved by agreement of Agent and the objecting party.

5. Access to Premises and Records; Reporting.

(a) Agent and its respective representatives and agents (including, without limitation, employees, officers, legal counsel, appraisers, auditors, accountants, and consultants) shall be authorized, during normal business hours upon reasonable notice, to conduct on-site field examinations in order to inspect and evaluate the Debtors' property and financial records.

(b) No later than 5:00 p.m. Central time on each Wednesday, the Debtors shall deliver to Agent the following written reports or data in form and substance satisfactory to Agent:

1. A report showing the cash collections (regardless of how delivered, and including payments delivered or deposited into any bank account used by any Debtor) of each Debtor on each business day of the prior week;

2. A report showing the cash ledger balances available to each Debtor as of the close of business on the previous Friday;

3. A report showing the expenditures made by each Debtor during the preceding calendar week; and

4. A report as of the preceding Friday comparing the Debtors' actual performance to the Debtors' performance projected in the Budget for the applicable period.

(c) On or before the tenth (10th) day of each calendar month, the Debtors shall deliver to Agent (current of the last day of the prior calendar month) updated lists and reports of accounts receivable agings, and other data, documents and files that were being delivered to Agent prior to the Petition Date under the Loan Agreement, if any.

(d) The Debtors shall continue to comply with Sections 9.2, 9.7, 9.9 and 9.17 of the Loan Agreement.

6. Superpriority Claim. Agent shall be entitled to an administrative priority claim under section 507(b) of the Bankruptcy Code in the amount, if any, by which the protections afforded herein for the Debtors' use, sale, consumption or disposition of any Pre-Petition Collateral (including, without limitation, Cash Collateral) prove to be inadequate.

7. **Deadline for Challenge to Pre-Petition Claims and Liens.**

(a) Each Debtor's admissions, stipulations, agreements and releases contained in this Order, including, without limitation, those contained in Paragraph B of this Order, shall be binding upon such Debtor and any successor thereto (including any Chapter 7 trustee or Chapter 11 trustee or examiner appointed or elected for such Debtor) under all circumstances and for all purposes.

(b) Each Debtor's admissions, stipulations, agreements and releases contained in this Order, including, without limitation, those contained in Paragraph B of this Order shall be binding upon all other parties in interest (including, without limitation, any Committee) under all circumstances and for all purposes unless and to the extent that the Committee or any other party in interest having requisite standing has timely and properly filed, in accordance with this Paragraph 7, an appropriate adversary proceeding or contested matter (i) objecting to the validity or amount of the Pre-Petition Debt, or the validity, extent, perfection, priority or non-avoidability of the Pre-Petition Liens in the Pre-Petition Collateral, (ii) seeking disgorgement of all or any part of the payment of the Pre-Petition Debt, or (iii) asserting against Agent any lender liability, breach of contract or other claim or cause of action that such party believes has merit and that arises out of or relates to any of the Loan Documents or any act, inaction, or transaction thereunder, which adversary proceeding or contested matter is required to be filed no later than the earlier to occur of (i) five (5) business days prior to the first deadline set by the Court for filing of objections to confirmation of the Plan (as defined in the RSA), and (ii) ninety (90) days after the Petition Date (the "**Challenge Deadline**"). To the extent the Challenge Deadline expires without an adversary proceeding or contested matter being filed, (i) the liens and security interests of Agent in the Collateral are deemed legal, valid, binding, enforceable, perfected and unavoidable, (ii) all of the Pre-Petition Debt is allowed, conclusive and binding upon the Debtors and all other parties in interest in each Case and in any superseding chapter 7 case, including any subsequently appointed trustee, as a legal, valid, binding, enforceable fully secured claim that is not subject to offset, counterclaim, equitable subordination, recharacterization, or other defense or claim, and (iii) any claims or causes of action that any Debtor or its estate may have against Agent are deemed to have been released and discharged.

8. **Surcharge Waiver.** In no event shall any costs or expenses of administration in any Case be imposed upon Agent or any Collateral pursuant to section 506(c) of the Bankruptcy Code or otherwise. Agent has not consented to any surcharge under section 506(c) of the Bankruptcy Code, and no such consent may be implied from any action, inaction or acquiescence of Agent.

9. **Reservation of Rights.** Nothing in this Order shall constitute or be construed to (1) be an admission by Agent as to the adequacy of the protection provided herein; (2) release, impair or alter in any way the obligations and liability of any guarantor of the Pre-Petition Debt or any subordination of other obligations of the Debtors in favor of prior payment of the Pre-Petition Debt; (3) prohibit Agent from seeking any further relief in these Cases, including, without limitation, additional adequate protection, dismissal or conversion, relief from the automatic stay under section 362(d) of the Bankruptcy Code, the appointment of a trustee or examiner, or the taking of any Bankruptcy Rule 2004 examinations; or (4) constitute a waiver by the Debtors or Agent of the right to request in a further interim or final order on Cash Collateral provisions which may be different from or in addition to any of the provisions contained in this Order.

10. **Survival of Provisions of This Order**. The provisions of this Order and any action taken pursuant to the terms hereof shall survive the entry of any order dismissing any of the Cases or converting any of the Cases to a case under chapter 7 of the Bankruptcy Code. and all of the terms and conditions of this Order as well as the liens and security interests granted pursuant hereto shall continue in this or in any superseding case under the Bankruptcy Code, and such liens and security interests shall retain their priorities provided by this Order until satisfied and discharged.

11. **Use of Pledged Cash Collateral by Agent; Depository Liens; Setoff for Amounts Owing**. Nothing contained in this Order shall amend, modify or otherwise limit the rights of Agent arising under the Cash Collateral Agreement, and the automatic stay imposed under Section 362 of the Bankruptcy Code is hereby modified and lifted to the extent necessary to permit Agent to exercise all of its rights and remedies under the Cash Collateral Agreement and otherwise to give effect to the provisions of this Paragraph 11. Agent is hereby expressly permitted to exercise all rights and remedies arising in favor of Agent pursuant to the Cash Collateral Agreement, including, without limitation, the right to apply the Pledged Cash Collateral to the satisfaction of the Pre-Petition Debt and to require and receive additional cash collateral, in each case on the terms set forth therein, as if these chapter 11 cases had not been commenced. In addition, Regions is hereby expressly permitted to exercise all rights and remedies arising in favor of Regions pursuant to any Bank Product Agreements (as defined in the Loan Agreement) or applicable law, including set off rights in connection with any statutory or common law depository bank liens, including any security interest of a collecting bank under Section 4-210 of the Uniform Commercial Code of any applicable jurisdiction, or any other rights of Regions, in its capacity as depository bank, pursuant to any blocked account, lockbox or other deposit account control agreement or any depository agreement with any Debtor. Without limiting the Debtors' obligations under Paragraph 4 or this Paragraph 11, Agent is also hereby expressly authorized to setoff, against the deposit accounts of Debtors maintained with Regions Bank, all interest (including any additional default rate of interest), fees, and expenses payable pursuant to Paragraph 4(d) of this Order and remit the proceeds thereof to the applicable payee.

12. **Order Immediately Effective**. Notwithstanding anything to the contrary in the Bankruptcy Rules or otherwise, the effectiveness of this Order shall not be stayed, and this Order shall be immediately effective upon its entry.

13. **Binding Effect; Successors and Assigns**. The provisions of this Order shall be binding upon all parties in interest in these Cases, including, without limitation, Debtors and their respective successors and assigns (including any Chapter 11 trustee hereafter appointed for the estate of any Debtor, any Chapter 7 trustee appointed or elected in a superseding Chapter 7 case, any examiner appointed pursuant to section 1104 of the Bankruptcy Code, or any other fiduciary appointed as a legal representative of any Debtor or with respect to any property of the estate of any Debtor), and shall inure to the benefit of the Secured Parties and their respective successors and assigns. In no event shall any Secured Party have any obligation to permit the use of the Collateral (including Cash Collateral) by, any Chapter 7 trustee, Chapter 11 trustee or similar responsible person appointed or elected for the estate of any Debtor.

14. **Objections Overruled**. Any and all objections to the relief requested in the Cash Collateral Motion, to the extent not otherwise withdrawn, waived, or resolved by consent at or before the Hearing, and all reservations of rights included therein, are hereby OVERRULED and DENIED.

SIGNED: March 29, 2017

DAVID R. JONES
UNITED STATES BANKRUPTCY JUDGE

APPROVED FOR ENTRY

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Attorneys for Debtors

Forbes Energy Services
Cash Flow Budget
January 22, 2017
($ millions)

	1	2	3	4	5	6	7	8	9	10	11	12	
Forecasted Week	1	2	3	4	5	6	7	8	9	10	11	12	
Period beginning	1/20	1/27	2/3	2/10	2/17	2/24	3/3	3/10	3/17	3/24	3/31	4/7	
Period Ending	1/27	2/3	2/10	2/17	2/24	3/3	3/10	3/17	3/24	3/31	4/7	4/14	Total
Beginning Cash Balance	$ 45.7	$ 45.0	$ 45.1	$ 44.5	$ 45.1	$ 45.4	$ 46.9	$ 45.7	$ 46.2	$ 46.1	$ 46.3	$ 46.1	$ 45.7
Cash Receipts from Operations	2.5	2.0	2.9	2.5	1.3	3.3	2.1	2.2	2.3	2.3	2.3	2.3	27.9
Non-Operating Cash Receipts	-	-	-	-	1.5	-	-	-	-	-	-	-	1.5
Cash Receipts from Operations	2.5	2.0	2.9	2.5	2.8	3.3	2.1	2.2	2.3	2.3	2.3	2.3	29.4
Total Payroll and Benefits	(2.0)	(0.6)	(1.9)	(0.5)	(1.9)	(0.6)	(1.9)	(0.5)	(1.9)	(0.6)	(1.9)	(0.5)	(14.9)
Cash Disbursements from Operations	(0.1)	(0.2)	(0.4)	(0.4)	(0.4)	(1.1)	(1.3)	(1.1)	(0.5)	(1.4)	(0.5)	(2.2)	(9.7)
Payment of Pre-petition Liabilities	(1.0)	(1.1)	(1.1)	(1.0)	(0.2)	(0.1)	-	-	-	-	-	-	(4.5)
Net Operating Cash Flow	(0.6)	0.1	(0.6)	0.6	0.3	1.5	(1.1)	0.6	(0.2)	0.2	(0.2)	(0.4)	(0.3)
Interest, Fees, and Other Financing Costs	(0.0)	-	-	-	-	-	-	-	-	-	-	-	(0.0)
Restructuring Professionals	-	-	-	-	-	-	-	-	-	-	-	-	-
Capex	(0.1)	-	-	(0.1)	-	(0.1)	-	(0.1)	-	(0.1)	-	(0.1)	(0.3)
Total Net Cash Flow	(0.7)	0.1	(0.6)	0.6	0.3	1.5	(1.1)	0.5	(0.2)	0.2	(0.2)	(0.4)	(0.0)
Ending Cash Balance	$ 45.0	$ 45.1	$ 44.5	$ 45.1	$ 45.4	$ 46.9	$ 45.7	$ 46.2	$ 46.1	$ 46.3	$ 46.1	$ 45.7	$ 45.7

1) Cash balances include $27.6M in restricted cash
2) Assumes payment of pre-petition trade liabilities, subject to court approval
3) Assumes professional fees incurred during bankruptcy will be paid upon effectiveness of the plan